

**CONTRACT NO. \_\_\_\_\_**

**On Purchase and Sale of Natural Gas**

**(Distributor – Consumer)**

**Yerevan - 1997**



**CONTRACT NO.** \_\_\_\_\_

## On Purchase and Sale of Natural Gas

" " 199 City

Name of the Gas Vending Company

hereafter the "Vendor", represented by its Director (President) \_\_\_\_\_

*First and last name of Director (President)*

acting in compliance with \_\_\_\_\_

*Name of the governing document*

on the one hand, and

Name of the Gas Purchasing Company

hereafter the "Purchaser", represented by its Director (President) \_\_\_\_\_

*First and last name of Director (President)*

acting in compliance with \_\_\_\_\_

Name of the governing document

on the other hand, hereafter jointly referred as "Parties", entered into this Contract regarding the following:

## Article 1

## Subject of the Contract

- 1.1 The subject of this Contract is the purchase and sale of natural gas.
- 1.2 The Vendor hereby assumes the obligation to take the gas to the delivery point and sell it to the Purchaser. The Purchaser hereby assumes the obligation to buy the natural gas in accordance with the provisions of this Contract.

- 1.3 Throughout the entire effective period of this Contract, the relationships between the Parties shall be regulated by the “Rules of Natural Gas Use” and other normative legal acts of the RoA Legislation.

## **Article 2**

### **Definitions**

The terms used in this Contract imply the following (except when otherwise defined by the context):

- |                                                   |                                                                                                                                                                                                                      |
|---------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>2.1.Natural Gas or Gas</b>                     | - natural gas, the quality of which complies with the standard requirements of GOST 5542-87: "Natural Fuel Gas for Industrial and Household Purposes";                                                               |
| <b>2.2.Standard Cubic Meter (SCM)</b>             | - the quantity of dry gas that occupies a volume of 1m <sup>3</sup> at a temperature of 20°C and 101.325 kPa or 1.033227 kg/cm <sup>2</sup> pressure;                                                                |
| <b>2.3.Kilocalorie or kCal</b>                    | - an extra-system unit, equal to 4186.8 J;                                                                                                                                                                           |
| <b>2.4.Lowest Specific Heat Generation (LSHG)</b> | - the quantity of heat, expressed in kCal, which we get by burning 1 normal m <sup>3</sup> of dry gas with supplemental air at a pressure of 101.325 kPa, provided that the products of combustion are in gas state; |
| <b>2.5.Extent of Condensation or Point</b>        | - the temperature (expressed in °C), at <b>Dew</b> which the condensation of the liquidable particles contained in the gas begins;                                                                                   |
| <b>2.6.Gas Pressure</b>                           | - the difference (expressed in kg/cm <sup>2</sup> ) between the absolute gas pressure inside the pipeline and the atmospheric pressure;                                                                              |
| <b>2.7.Day</b>                                    | - a 24-hour time period, beginning at 10:00 a.m. of the previous day and expiring at 10:00 a.m. of the given day;                                                                                                    |
| <b>2.8.Month</b>                                  | - a time period, beginning at 10:00 a.m. of the last day of the previous month and expiring at 10:00 a.m. on the last day of the given month;                                                                        |

- 2.9. Year** - a time period, beginning at 10:00 a.m. on December 31 of the previous year and expiring at 10:00 a.m. on December 31 of the given year;
- 2.10. Metering Station** - a station where the amount of the delivered gas is measured;
- 2.11. Separation Point** - a border line separating the gas pipelines on the Vendor's balance sheet from the gas pipelines on the Purchaser's balance sheet.

### **Article 3**

#### **Delivery Point, Delivery Pressure**

- 3.1. The junction point of the Vendor's and Purchaser's pipelines shall be the Separation Point between the Vendor and the Purchaser.
- 3.2. a) The output valve of the Vendor's Metering Station (device) shall be considered Delivery Point, and the output pressure (right after the spacer/orifice plate or the gas meter) of the Vendor's Metering Station (device) shall be considered Delivery Pressure.
- 3.2. b) The input valve of the Purchaser's Metering Station (device) shall be considered Delivery Point, and the input pressure (right before the spacer/orifice plate or the gas meter) of the Purchaser's Metering Station (device) shall be considered Delivery Pressure.

Either of the items 3.2(a) and 3.2(b) can be accepted, depending on who owns the Metering Station.
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### **Article 4**

#### **Quality of Gas and Delivery Pressure**

- 4.1. The quality of gas must comply with the standard requirements of GOST 5542-87: "Natural Fuel Gases for Industrial and Household Purposes".
- 4.2. According to water, the Dew Point of the gas in conditions of actual pressure (Article 4.6) must be as follows:

in winter: from \_\_\_\_\_ to \_\_\_\_\_ at \_\_\_\_\_ °C

in summer: from \_\_\_\_\_ to \_\_\_\_\_ at \_\_\_\_\_ °C

4.3. The Lowest Specific Heat Generation of gas must be no less than \_\_\_\_\_ kCal/SCM and no more than \_\_\_\_\_ kCal/SCM.

4.4. The Base Lowest Specific Heat Generation of gas (LSHG<sub>b</sub>) is equal to \_\_\_\_\_ +/- \_\_\_\_\_ kCal/SCM.

4.5. The gas pressure at the Dispatching Points must go as follows:

_____	_____	_____ kg/cm <sup>2</sup> ;
<i>Name of the Metering Station</i>	<i>(Maximum Pressure)</i>	<i>(Minimum Pressure)</i>

4.6. When restoring the gas supply, the Vendor is obliged to provide the daily quantities of gas and the delivery pressures, as specified in this Contract, at least within \_\_\_\_\_ hours prior to the restoration of supply.

4.7. If the quality and/or the pressure of the delivered gas does not comply with the requirements specified in Articles 4.1; 4.2; 4.3; and 4.5, then the gas shall be considered deficient. In such instances the Vendor is obliged to inform the Purchaser about the quality and the pressure of the gas to be delivered within no more than 24 hours. The Purchaser reserves the right to repudiate the gas or accept it partially or completely. If the Purchaser decides to accept the gas partially or completely, then the Vendor shall pay the Purchaser a penalty in the amounts specified in Article 4.9.

4.9. In the instances when the Purchaser procures natural gas which does not comply with the requirements of Article 4, i.e.:

- the contents of sulphur containing elements does not comply with the standard requirements of GOST 5542-87;
- the dew point according to water does not comply with the requirements of 4.2.;
- the LSHG does not comply with the requirements of 4.3.;
- the pressure, if the contractual consumption volumes are provided, does not comply with the requirements of 4.5, then the Vendor must pay a penalty to the Purchaser which is equal to the following:

$$\frac{V_1 \times C}{1000} \times \frac{a}{100}$$

where

- V<sub>1</sub>** - is the quantity of the defective gas (in SCM);
- C** - is the natural gas sales tariff (including VAT), as specified in 8.1 of this Contract;
- a** - is a factor indicating the inconsistency of the gas quality factors. If one of the factors is inconsistent, then  $a = \underline{\hspace{2cm}}$  %, and if more than one factor is inconsistent, then  $a = \underline{\hspace{2cm}}$  %.

## **Article 5**

### **The Quantity of Delivery**

- 5.1. In conformance with the provisions of the present Contract, the Vendor assumes the obligation to deliver the natural gas and sell it to the Purchaser, and the Purchaser assumes the obligation to purchase the natural gas. The annual amount of the procurement and sales is equal to (V)                      million SCM. The division of the above quantity into the quarters, months and days of the year is carried out in accordance with a time-schedule, approved by the Parties, which is an integral part of this Contract (Appendix 1).

## **Article 6**

### **Measurements and Testing**

- 6.1. Between the Vendor and the Purchaser, the commercial calculations are carried out in accordance with the indications of the metering devices at the Metering Station.
- 6.2. The Metering Station should be equipped with devices capable of metering the consumption of natural gas and its quantity. The technical and metrological specifications of those devices must comply with the requirements of the standards that are already in effect. The equipment has to be inspected and certified by corresponding authorized bodies in the sector of standardization.
- 6.3. A Metering Station should comprise the following:
  - a) metering devices for the excessive pressure and temperature of the gas: (continuously metering equipment preferred);

- b) gas consumption meter (working on the principle of variable pressure drop) or gas volume meter (rotating or turbine type).
- 6.4. The Vendor's Metering Station shall be considered commercial, and in the absence of such, the Purchaser's Metering Station shall be considered commercial.

6.5. **i) The Purchaser reserves the right to:**

**ii) The Vendor reserves the right to:**

Either of the items 6.5(i) and 6.5(ii) can be accepted, depending on who owns the Metering Station.

- a) have his own permanent representative at the Commercial Metering Station;
  - b) take part in the development of chart files and/or the recording process of the meter readings, sign the documents pertaining to the delivered gas;
  - c) at his own expense, install his own metering devices in parallel with those of the Commercial Metering Station (except for the spacer/orifice plate);
  - d) participate in the process of taking samples of natural gas and in the process of quality assessment;
  - e) at any moment refer his representative to the Commercial Metering Station for data collection;
  - f) require additional testing, if necessary;
  - g) seal the metering devices (gas volume meters) and the impulse lines and the valves of the metering devices.
- 6.6. While choosing this or that metering method, the Parties should give the preference to the one which ensures a higher accuracy and which excludes any influence by any of the Parties on the metering process.
- 6.7. During each scheduled or additional testing, the devices must be calibrated in a way to reduce the possibility of errors to a minimum.
- 6.8. The Parties should inform each other about the additional testing at least 2 days prior to the testing, in order to ensure the participation of all Parties and, if necessary, of neutral experts.
- 6.9. If any of the Parties or the representatives of the neutral organization discover such errors that have harmed any one of the Parties, and the origin of such errors is impossible to detect, it should be assumed that those errors have occurred within the



time period between the last non-disputable metering date and the discovery date of the errors. In any case, the corrections have to be carried out for a time period not to exceed one year.

- 6.10. In the event of the inaccuracy of the Purchaser's metering devices, or exceeding of the testing terms, or breaking the seals, or in the absence of the seals the amount of the consumed natural gas shall be calculated in accordance with the design capacity of the non-sealed gas consumption devices installed at on the consumer's premises.
- 6.11. Costs associated with the additional testings shall be born by the Party responsible for the inappropriate metering.
- 6.12. Based on the average hourly consumption, mutually agreed upon between the Parties, the owner of the Commercial Metering Station shall be committed to carry out the following:
- a) if gas consumption meters (working on the principle of variable pressure drop) are used, select the metering devices in such a manner, as to allow metering between the range of 30-100% of the scale of the recording devices.
  - b) if gas volume meters are used, select the metering devices in such a manner, as to allow consumption not less than 20% of the gas meter capacity.

Note: *The lowest limit of the metering ranges defined in Article 6.12 (30% or 20%) may vary if high accuracy metering devices are used. In any case, it should be assumed that the lowest limit of the metering range is the point below which the inaccuracy exceeds 5.0%.*

- 6.13. **1.** If changes occur in the consumption amounts that have been agreed upon, due to which the metering goes beyond or below the range specified in Article 6.12, the Vendor must officially inform the Purchaser about it, and the Purchaser must regulate his consumption or require from the Vendor replacement of the metering devices, agreeing to pay all expenses associated with such replacement. For the period when the metering was carried out outside the specified range, the quantity of the consumed gas shall be calculated as follows:

- a) if gas consumption meters (working on the principle of variable pressure drop) are used:
  - for instances when metering was carried out in a range below the 30% of the scale, the consumption shall be assumed to be equal to \_\_\_\_\_ %;
  - for instances when metering was carried out in a range beyond the 100% of the scale, the consumption shall be assumed to be equal to \_\_\_\_\_ %.

b) if gas volume meters are used:

- for instances when the consumption is lower than the 20% of the nominal capacity of the gas meter, the consumption shall be assumed to be equal to the \_\_\_\_\_ % of the nominal capacity of the meter.

6.13. 2. If changes occur in the consumption amounts that have been agreed upon, due to which the metering goes beyond or below the range specified in Article 6.12, the Purchaser must officially inform the Vendor about it, and further try to regulate his consumption or replace the metering devices at his own expense. For the period when the metering was carried out outside the specified range, the quantity of the consumed gas shall be calculated as follows:

a) if gas consumption meters (working on the principle of variable pressure drop) are used:

- for instances when metering was carried out in a range below the 30% of the scale, the consumption shall be assumed to be equal to \_\_\_\_\_ % of the recorded amount;
- for instances when metering was carried out in a range beyond the 100% of the scale, the consumption shall be assumed to be equal to \_\_\_\_\_ %.

b) if gas volume meters are used:

- for instances when the consumption is lower than the 20% of the nominal capacity of the gas meter, the consumption shall be assumed to be equal to the nominal capacity of the meter.

Either of the items 6.13.1 and 6.13.2 may be accepted, depending on who owns the Metering Station.

6.14. Every \_\_\_\_\_ hours the Party owning the Metering Station should convey operative information to the other Party about the quantity, pressure and temperature of the gas delivered from the Metering Station (device). The information about the quantity of the daily consumption (delivery) should be sent after the development of chart files or the meter reading, but no later than 12:00 p.m. (?-translator) of each day.

6.15. Every day, between 10:00 a.m. and 12:00 p.m., the Party owning the Metering Station should forward operative information to the other Party about the daily consumption of that given day.

6.16. The information about the quality parameters of the delivered gas must be forwarded to the Purchaser by the Vendor, in accordance with an agreed upon time

schedule. On the last day of each month the Purchaser should be forwarded a document describing the quality of gas (or a Gas Quality Certificate, if the Vendor's metering is certified by corresponding authorized bodies in the sector of standardization).

- 6.17. Once in every 10 days of the current month, the Vendor and the Purchaser should develop a provisional Gas Purchase and Sales Act, based on the operative data, which will be the main payment document, after both Parties sign it. Final calculations will be carried out within three days of the next month and the Monthly Gas Purchase and Sale Act will be developed.
- 6.18. If the Parties do not arrive at an agreement regarding the assessment of the quality or quantity of the delivered gas, then the dispute should be settled by an independent authorized organization, mutually agreed upon between the Parties. If there is a disagreement regarding the selection of such independent organization, or if either of the Parties does not agree with the resolution of the independent organization, then the Dispute should be settled in accordance with Article 11 of the present Contract.

## **Article 7**

### **Gas Procurement Procedures**

- 7.1. The contractual distribution of gas by months is carried out, as a rule, proportionately, based on the average daily volumes during the month. The monthly volumes are variable, depending on the mutual conformity of the Parties. Proposals on the monthly supply volumes should be submitted to the Vendor by the Purchaser 10 days prior to the beginning of the delivery month.
- 7.2. The Purchaser assumes the obligation to notify the Vendor in writing about his readiness to accept the delivered gas 10 days prior to the accounting month.
- 7.3. Upon the Purchaser's request, it is possible to adopt a mutually agreed non-proportionate delivery schedule.
- 7.4. In the event of alterations in the fixed volumes of delivery and acceptance due to unforeseen circumstances (Force Majeure, scheduled and coordinated repairs), the Parties assume the obligation of considering supply-related issues forthwith.

## **Article 8**

### **Gas Rates and Payment Procedures**

- 8.1. The natural gas tariff for the Purchaser (C) is equal to the amount in Armenian drams corresponding to \_\_\_\_\_ U.S. dollars per 1000nm<sup>3</sup>, at the exchange rate

established by the Central Bank of Armenia, on the 25th day of the month preceding the accounting month. Payments shall be performed based on the Act developed by the Parties once in every 10 days, and the final calculations shall be performed within two banking days of signing the Monthly Gas Purchase and Sale Act.

- 8.2. If the Purchaser has due payment for natural gas during the accounting month, then the difference between the cost of the actual consumption and paid amount should be paid to the Vendor in accordance with the exchange rate established by the Central Bank of Armenia, on the 25th day of the month preceding the payment month.
- 8.3. If the actual LSHG in the accounting month does not correspond to the value of the LSHG specified in Article 4.4, then the natural gas sale tariff should be revaluated according to the following formula:

$$C_1 = \frac{q_p}{q_b} \times C$$

where

- $C_1$  - is the natural gas sales tariff (VAT included), as specified in Article 8.1 of the present Contract;
- $q_p$  - is the actual average LSHG of gas (in kCal/SCM) in the given month;
- $q_b$  - is the base LSHG of gas (in kCal/SCM), as specified in Article 4.4.

## Article 9

### Liability of the Parties

- 9.1. While fulfilling his obligations, the Purchaser should be guided by the requirements of the standards, rules and other normative technical documents that are currently in effect. If there is a possibility of an accident, or in the event of an accident the Purchaser is obliged to immediately inform the Vendor about it. The Vendor, on the other hand, is obliged to interrupt or restrict the gas supply.
- 9.2. If the dew point in the delivery point does not comply with the requirements of Article 4.2 of the present Contract, then the Purchaser shall not be held responsible for plugging problems and hydraulic disturbances. In such cases the Vendor should assume the expenses associated with the elimination of plugging and restoration of the hydraulic regime.

- 9.3. If the Vendor fails to satisfy the Purchaser's monthly demand, as specified in the Contract, then the Vendor should pay a penalty to the Purchaser at the \_\_\_\_\_% of the volume price of the undelivered gas (provided that the failure is not related to Force Majeure situations, scheduled or mutually agreed upon repairs). The non-delivered gas shall not be compensated by the Vendor.
- 9.4. If the Purchaser does not accept/receive the monthly volume of delivery specified in the Contract, then the Purchaser shall pay a penalty to the Vendor at the \_\_\_\_\_% of the volume price of the unaccepted gas (provided that the failure is not related to Force Majeure situations, scheduled or mutually agreed upon repairs). The Purchaser is obliged to receive the unaccepted volume of gas in the course the next few months.
- 9.5. In the event of a violation of Article 8.1 of the present Contract, the Purchaser shall pay a penalty to the Vendor, at the \_\_\_\_\_% of the daily payment for each due/delinquent day. However, the sum should not exceed the \_\_\_\_\_% of the unpaid amount.
- 9.6. All the penalties specified in Article 4.9. of the present Contract are applicable only in those instances, when the Purchaser is fined by his Customers for the inadequate quality of gas.

## **Article 10**

### **Force Majeure**

- 10.1. In the event of not fulfilling their contractual obligations, the Parties shall not be held liable only in the instances of Force Majeure situations (i.e. natural calamities; accidents in the pipelines or underground storages; resolutions of authorized government entities, etc.), if the fulfillment of the contractual obligations has been directly impacted by the above circumstances.
- 10.2. The Parties are committed to inform each other about the beginning and the end of the Force Majeure situations within a period not exceeding the 24-hour statute of limitations.
- 10.3. The occurrence and the settlement/conclusion of the Force Majeure situation should be officially confirmed by a corresponding authorized body in Armenia.

## **Article 11**

### **Other Provisions**

- 11.1. The problems that cannot be settled by this Contract should be resolved in conformance with the RoA Legislation.
- 11.2. All disputes arising during the effective period of the Contract, should be settled by means of negotiations. If no consensus is reached, then the case will be referred to the RoA Arbitration Court.

## **Article 12**

### **Special Provisions**

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*(Provisions under this Article should not be in conflict with the rest of the Articles in this Contract, as well as the current Legislation of the Republic of Armenia).*

## **Article 13**

### **Effective Period of the Contract**

13.1. The present Contract shall become effective from the moment of its signing by the Parties and its registration with the Energy Regulatory Commission of the Republic of Armenia, starting \_\_\_\_\_ (day), \_\_\_\_\_ (month), \_\_\_\_\_ (year), and until \_\_\_\_\_ (day), \_\_\_\_\_ (month), \_\_\_\_\_ (year).

13.2. The Vendor shall inform the Purchaser about the commencement of the delivery within no less than \_\_\_\_\_ days prior to the starting date of delivery.

## **Article 14**

### **Legal Addresses of the Parties**

#### **VENDOR**

Address \_\_\_\_\_  
\_\_\_\_\_

#### **PURCHASER**

Address \_\_\_\_\_  
\_\_\_\_\_

Account No. \_\_\_\_\_

Telephone \_\_\_\_\_

Fax \_\_\_\_\_

Telex \_\_\_\_\_

**Vendor** \_\_\_\_\_

Date \_\_\_\_\_

Account No. \_\_\_\_\_

Telephone \_\_\_\_\_

Fax \_\_\_\_\_

Telex \_\_\_\_\_

**Purchaser** \_\_\_\_\_

Date \_\_\_\_\_

**ENERGY REGULATORY COMMISSION OF THE REPUBLIC OF ARMENIA**

**Registration date** \_\_\_\_\_

**Registration No.** \_\_\_\_\_

**Representative** \_\_\_\_\_

*(Signature)*

**Note:** *Of the contract is signed with Thermal Power Plants (TPP) of the energy sector, then in addition to the terms of the contract, the Parties shall also be guided by the procedures called “On Relationships Between Supplier and Consumer During Natural Gas Quality and Quantity Testing”*

## TIME SCHEDULE

Allocation of Annual Amounts of Natural Gas on Quarters and Months of the Year

(in thousand SCM)

First Quarter	January	
	February	
	March	
	Subtotal	
Second Quarter	April	
	May	
	June	
	Subtotal	
Third Quarter	July	
	August	
	September	
	Subtotal	
Fourth Quarter	October	
	November	
	December	
	Subtotal	
<b>Total for the year</b>	<b>199__</b>	